

Property Tax Payments, 2002-2003

- Adams County -

Indiana Legislative Services Agency

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The Indiana Supreme Court found Indiana's true tax value assessment rules to be unconstitutional in December 1998. Major changes in property tax payments in each county from 2002 to 2003 were caused by several factors, including:

- The move from the old true tax value assessment rules to the new market-oriented rules during the 2002-2003 property tax reassessment.
- Tax levy increases by local taxing units, which are influenced by spending and the availability of other revenue sources.
- The tax restructuring provisions enacted by the General Assembly in 2002 to help mitigate some of the effects of the assessment changes.

State Tax Credits Increased in Adams County from \$4.8 Million in 2002 to \$9.0 Million in 2003.

The General Assembly's restructuring provisions increased state tax credits statewide in 2003 from \$1.12 billion to \$1.87 billion, an increase of approximately \$748 million. In Adams County, state tax credits

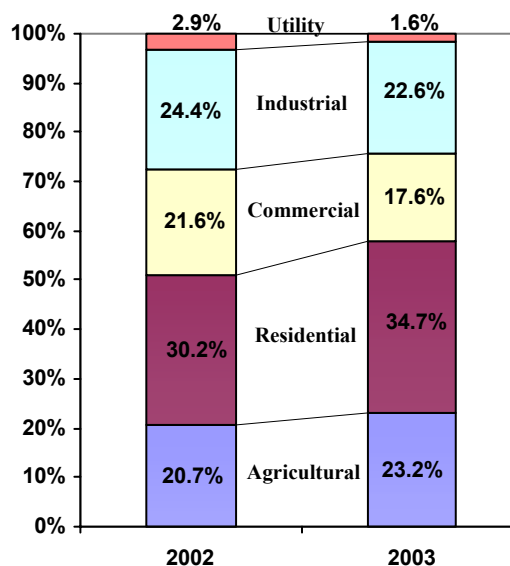
Table 1. Changes in AV and Tax Bills by Property Class for Adams County, 2002-2003.

Property Class	Change In		
	Total Gross AV	Net AV	Net Tax Bill
Agricultural	95.0%	82.0%	9.5%
Residential (All)	103.4%	68.0%	12.2%
Homestead Only	103.7%	58.1%	4.2%
Commercial	9.8%	9.5%	-20.7%
Industrial	24.2%	19.1%	-9.6%
Utility	-24.3%	-24.3%	-43.9%
Avg. All Classes	64.0%	46.5%	-2.5%

increased from \$4.8 million to \$9.0 million, an increase of \$4.2 million. This paper provides a brief summary of how these factors changed property tax liabilities in Adams County.

Tax Shifts. Adams County saw a property tax shift from businesses to residential property owners and agricultural property owners. Tax bills paid by residential and agricultural property owners increased, while tax bills paid by commercial, industrial, and utility property owners decreased (see Table 1). [Restructuring also incorporated an increase in the Utility Receipts Tax to compensate for reduced property tax payments by utilities.] The reason for these shifts between classes of property was that the total of real plus personal property assessed values (AV) of residential and agricultural property increased more than the assessed values of business property. Gross assessed values of agricultural and residential property doubled. Commercial and industrial assessments rose much less, and utility assessments actually declined. These figures include the effects of new construction,

Figure 1. Share of Net Property Tax Billings in Adams County.



* May not total 100% due to taxes paid by exempt/undefined parcels.

demolition and remodeling of property, as well as the effects of reassessment, tax restructuring and levy increases.

Homeowners and Renters. The residential property type includes both homestead and non-homestead residential property. Owners of residential and agricultural homesteads in Adams County saw their tax bills increase by a smaller amount than the average residential property increase. A property is eligible for the homestead deduction and credit if it is occupied by its owner and is the owner's primary residence. The increase in the homestead deduction from \$6,000 to \$35,000 is the reason that residential net assessed value rose so much less than gross assessed value.

Tax bills on non-homestead residential property, which is primarily rental property, increased much more than for homestead property. Taxes rose because rental assessments increased as much as homestead assessments, but rental property was not eligible for the homestead deduction or homestead credit.

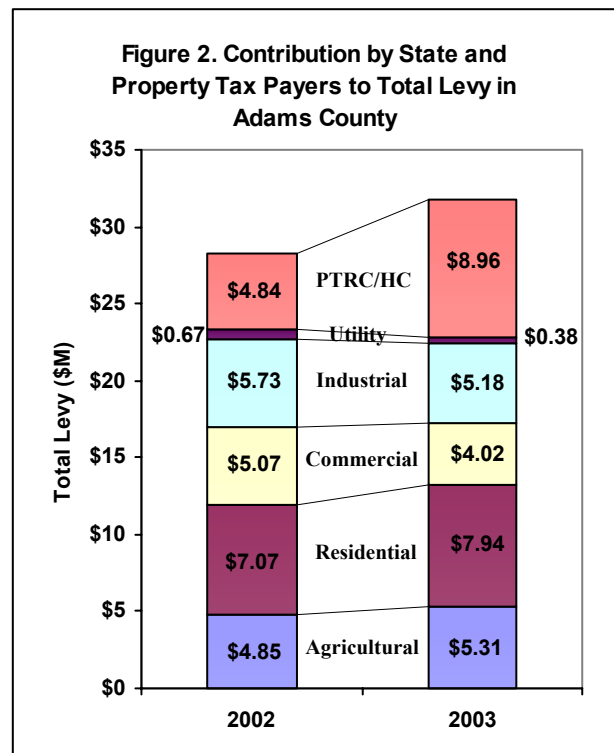
Table 2 shows tax changes for comparable properties, those with physical features that were unchanged from 2002 to 2003. In Adams County, substantially more residential property owners (including both homeowners and rental property owners) saw tax bill increases than decreases in 2003. Separately, more homestead owners also saw increases rather than decreases.

Table 2. Distribution of Net Tax Changes on Comparable Residential Property in Adams County.				
	Residential - Actual -	Homestead - Actual -	Residential - NO Levy Change -	Homestead -NO Levy Change -
Increased	64.2%	61.8%	51.2%	47.9%
Decreased	35.8%	38.2%	48.8%	52.1%
Increased 100% or More	9.1%	5.0%	7.3%	3.6%
Decreased 25% or More	9.3%	9.7%	14.7%	15.6%
Average Change (\$)	\$97	\$66	\$18	-\$14
Average Change (%)	12.5%	8.2%	2.3%	-1.7%
* Percentages represent the percentage of parcels affected.				

Not all of the tax bill change was due to reassessment and tax restructuring. Some was due to increases in the tax levies of local units of government. Table 2 shows estimates of what would have happened had tax levies remained unchanged. The estimates are made by recalculating tax rates for 2003 using tax levies from 2002.

With no levy changes, about half of all residential property owners would have seen tax increases, and half would have seen tax decreases. This also holds for homesteads, although slightly more saw decreases. Apart from levy increases, reassessment and restructuring reduced the taxes of slightly more homeowners than they increased.

Agriculture. Taxes on agricultural property in Adams County rose. Overall, agricultural business taxes rose more than agricultural homestead taxes. The net assessed value on non-homestead agricultural real property more than doubled. This increase reflects the 112% increase in the base rate of farm land, from \$495 to \$1,050 per acre. Agricultural net personal property assessments increased by a smaller amount.



Business. Taxes on business property fell in Adams County because assessed values rose much less than residential and agricultural assessments. Business real property was assessed closer to the market value standard under the old assessment rules than was residential property. Consequently, the shift to market value assessment increased business assessments less. The general rise in assessed values in Adams County reduced tax rates, and this cut tax bills for owners of property with smaller assessment increases, like businesses.

Tax Restructuring. The tax restructuring of 2002 made significant changes to property tax assessments, deductions, credits, and hence to overall tax payments. Restructuring reversed personal property rule changes which the Department of Local Government Finance had put in place. It replaced one tax break for homeowners, known as the shelter allowance, with a larger (in most cases) homestead deduction. Restructuring also increased property tax replacement credits (PTRC) from the existing 20% credit. PTRC on school general fund levies is now 60% for all property. A 20% PTRC is paid to real property owners on civil levies plus the remaining school general fund levies (after the 60% credit). Restructuring also raised the homestead credit to 20% of net qualifying levies, instead of allowing it to revert to 4% of gross qualifying levies in 2003. Figure 2 shows the net levies paid by each property classification along with the PTRC and state homestead credit contributions. The contribution to local levies in Adams County by PTRC and state homestead credit payments increased by approximately 85%, from \$4.8 million to \$9.0 million.

Table 3 shows estimates of how Adams County tax bills would have changed for each property type had tax restructuring not been adopted. Tax increases for residential and agricultural property owners would have been particularly large. The increases in the homestead deduction and PTRC in the tax restructuring reduced the size of these tax increases. Adams County residential property taxes still increased because the reassessment business-to-residential tax shift, plus the increase in the tax levy, was not fully offset by the rise in the homestead deduction and higher state PTRC payments. The larger PTRC payments are also responsible for reducing the taxes on commercial and industrial property. The percentage changes in the “With Restructuring” column of Table 3 correspond to the changes in the net levies in Figure 2.

Property Class	No Restructuring (Estimated)	With Restructuring (Actual)	Difference
Agricultural	30.1%	9.5%	-20.6%
Residential (All)	42.3%	12.2%	-30.1%
Homestead Only	41.2%	4.2%	-37.1%
Commercial	-12.9%	-20.7%	-7.8%
Industrial	3.4%	-9.6%	-12.9%
Utility	-46.6%	-43.9%	2.7%

List of Attached Summary Tables. Four summary tables are attached to provide additional information regarding assessed values and taxes by property class.

Summary Table 1: Comparison of 2002 and 2003 Net Property Tax Billings by Property Classification. This table summarizes net tax billings for real and personal property by property class. Additional information is provided for subclasses such as homesteads, agricultural homesteads, agricultural land, and rental properties.

Summary Table 2: Comparison of 2002 and 2003 Net Assessed Value by Property Classification. This table summarizes net assessed values for the same property classes described in Summary Table 1.

Summary Table 3: Changes in Assessed Values, Deductions, Credits, and Net Levies. This table summarizes the county-wide changes in tax bill components from 2002 to 2003 for real and personal property by property class.

Summary Table 4: Residential Property Summary. This table summarizes the assessed value and net tax changes from 2002 to 2003 for residential property. The table includes a distribution of net tax changes for comparable residential properties and for the homestead component of residential property. The table also depicts the distribution of changes as if there were no levy increase in 2003.

Adams County
Changes in Assessed Values, Deductions, Credits and Net Levies
Pay 2002 - Pay 2003

	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Pay 2002							
Real Gross Assessed Value	744,474,678	206,880,408	356,895,920	292,368,874	88,321,617	91,580,068	77,138
Real Deductions	75,316,937	11,415,572	55,543,683	55,543,683	1,591,336	6,688,839	0
Real Net Assessed Value	669,157,741	195,464,836	301,352,237	236,825,191	86,730,281	84,891,229	77,138
Personal Gross Assd. Value	291,323,054	30,947,370	3,320,860	0	100,567,032	129,155,501	27,332,290
Personal Deductions	8,525,030	0	12,000	0	1,624,130	6,888,900	0
Personal Net Assd. Value	282,798,024	30,947,370	3,308,860	0	98,942,902	122,266,601	27,332,290
Total Gross Assessed Value	1,035,797,732	237,827,778	360,216,780	292,368,874	188,888,649	220,735,569	27,409,428
Total Deductions	83,841,967	11,415,572	55,555,683	55,543,683	3,215,466	13,577,739	0
Total Net Assessed Value	951,955,765	226,412,206	304,661,097	236,825,191	185,673,183	207,157,830	27,409,428
Gross Levy	28,253,167	5,771,390	9,028,897	6,978,965	5,940,822	6,713,082	781,718
PTRC (Calculated)	4,058,716	800,105	1,293,262	997,277	866,679	985,305	110,948
State/County Homestead Cr. (Calculated)	782,953	121,752	661,200	661,200	0	0	0
Net Levy	23,411,499	4,849,533	7,074,434	5,320,488	5,074,143	5,727,777	670,770
Pay 2003							
Real Gross Assessed Value	1,392,225,554	429,985,190	729,546,337	595,546,290	135,774,940	96,725,514	193,572
Real Deductions	283,742,953	51,707,043	221,020,918	221,020,918	1,696,472	9,318,520	0
Real Net Assessed Value	1,108,482,601	378,278,147	508,525,419	374,525,372	134,078,468	87,406,994	193,572
Personal Gross Assd. Value	306,473,780	33,770,590	3,293,460	0	71,535,603	177,331,207	20,542,920
Personal Deductions	20,368,110	0	0	0	2,317,310	18,050,800	0
Personal Net Assd. Value	286,105,670	33,770,590	3,293,460	0	69,218,293	159,280,407	20,542,920
Total Gross Assessed Value	1,698,699,334	463,755,780	732,839,797	595,546,290	207,310,542	274,056,721	20,736,492
Total Deductions	304,111,063	51,707,043	221,020,918	221,020,918	4,013,782	27,369,320	0
Total Net Assessed Value	1,394,588,271	412,048,737	511,818,879	374,525,372	203,296,760	246,687,401	20,736,492
Gross Levy	31,749,348	7,663,533	11,898,566	8,588,849	5,258,050	6,467,319	461,879
PTRC (Calculated)	8,148,433	2,235,437	3,306,984	2,394,649	1,233,843	1,286,768	85,400
State/County Homestead Cr. (Calculated)	768,192	115,764	652,429	652,429	0	0	0
Net Levy	22,832,723	5,312,332	7,939,153	5,541,771	4,024,207	5,180,551	376,479
COMPARISONS							
Net Levy Percent Change	-2.5%	9.5%	12.2%	4.2%	-20.7%	-9.6%	-43.9%
Contributions to Tax Bill Changes, 2002-2003							
Percent Changes	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Gross Real AV	87.0%	107.8%	104.4%	103.7%	53.7%	5.6%	150.9%
Gross Personal AV	5.2%	9.1%	-0.8%	0.0%	-28.9%	37.3%	-24.8%
Total Gross Assessed Value	64.0%	95.0%	103.4%	103.7%	9.8%	24.2%	-24.3%
Net Assessed Value	46.5%	82.0%	68.0%	58.1%	9.5%	19.1%	-24.3%
Gross Levy	12.4%	32.8%	31.8%	23.1%	-11.5%	-3.7%	-40.9%
Net Levy	-2.5%	9.5%	12.2%	4.2%	-20.7%	-9.6%	-43.9%
Actual State Credits, 2002 and 2003							
	2002	2003	Change	Change%			
PTRC (Abstract)	4,065,865	8,171,536	4,105,672	101.0%			
State Homestead Cr. (Abstract)	777,714	790,339	12,625	1.6%			
Total State Credits (Abstract)	4,843,578	8,961,875	4,118,296	85.0%			

Comparison of 2002 and 2003 Net Property Tax Billings*
(Scaled to Abstract Values)
By Property Classification**
Adams County

Property Classification	2002 Net Tax	2003 Net Tax	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	4,849,533	5,312,332	462,799	9.5%	20.7%	23.2%	2.5%
Residential	7,074,434	7,939,153	864,719	12.2%	30.2%	34.7%	4.5%
Commercial	5,074,143	4,024,207	-1,049,936	-20.7%	21.6%	17.6%	-4.1%
Industrial	5,727,777	5,180,551	-547,226	-9.6%	24.4%	22.6%	-1.8%
Utility	670,770	376,479	-294,291	-43.9%	2.9%	1.6%	-1.2%
Exempt	41,981	51,732	9,751	23.2%	0.2%	0.2%	0.0%
Undefined	14,843	0	-14,843	-100.0%	0.1%	0.0%	-0.1%
Total	23,453,481	22,884,454	-569,027	-2.4%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	4,170,664	4,821,166	650,502	15.6%	17.8%	21.1%	3.3%
Residential	6,997,528	7,890,773	893,245	12.8%	29.8%	34.5%	4.6%
Commercial	2,376,661	2,567,337	190,676	8.0%	10.1%	11.2%	1.1%
Industrial	2,357,874	1,682,185	-675,689	-28.7%	10.1%	7.4%	-2.7%
Utility	1,977	3,186	1,209	61.2%	0.0%	0.0%	0.0%
Exempt	41,981	51,732	9,751	23.2%	0.2%	0.2%	0.0%
Undefined	14,843	0	-14,843	-100.0%	0.1%	0.0%	-0.1%
Total	15,961,528	17,016,379	1,054,851	6.6%	68.1%	74.4%	6.3%
Agricultural Homesteads	2,065,750	2,165,941	100,191	4.9%	8.8%	9.5%	0.7%
Residential Homesteads	5,320,488	5,541,771	221,283	4.2%	22.7%	24.2%	1.5%
Total Homesteads	7,386,238	7,707,712	321,474	4.4%	31.5%	33.7%	2.2%
Non-Homestead Residential	1,677,040	2,349,002	671,962	40.1%	7.2%	10.3%	3.1%
Apartments (Over 4 Units)	502,321	498,062	-4,259	-0.8%	2.1%	2.2%	0.0%
<u>Personal Property Only</u>							
Agricultural	678,869	491,167	-187,702	-27.6%	2.9%	2.1%	-0.7%
Residential	76,906	48,380	-28,526	-37.1%	0.3%	0.2%	-0.1%
Commercial	2,697,481	1,456,870	-1,240,611	-46.0%	11.5%	6.4%	-5.1%
Industrial	3,369,903	3,498,366	128,463	3.8%	14.4%	15.3%	0.9%
Utility	668,794	373,293	-295,501	-44.2%	2.9%	1.6%	-1.2%
Total	7,491,953	5,868,076	-1,623,877	-21.7%	31.9%	25.6%	-6.3%
Total Depreciables	4,173,990	2,884,945	-1,289,045	-30.9%	17.8%	12.6%	-5.2%
Total Inventory	3,241,057	2,934,750	-306,307	-9.5%	13.8%	12.8%	-1.0%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	2,104,914	2,655,225	550,311	26.1%	9.0%	11.6%	2.6%
Ag Personal	678,869	491,167	-187,702	-27.6%	2.9%	2.1%	-0.7%
Total Ag Business	2,783,783	3,146,392	362,609	13.0%	11.9%	13.7%	1.9%
Ag Homesteads	2,065,750	2,165,941	100,191	4.9%	8.8%	9.5%	0.7%

* "Tax billings" for real property refers to the net taxes charged per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Tax billings" for personal property refers to the net taxes charged on the personal property assessed value reported on the county auditor's abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net tax changes from 2002 to 2003 include effects of changes in assessment methods, local levies, real property physical characteristics, property use, personal property held or acquired, deductions, and credits.

Comparison of 2002 and 2003 Net Assessed Value*
(Scaled to Abstract Values)
By Property Classification**
Adams County

Property Classification	2002 Net AV	2003 Net AV	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	226,412,206	412,048,737	185,636,531	82.0%	23.7%	29.5%	5.7%
Residential	304,661,097	511,818,879	207,157,782	68.0%	32.0%	36.6%	4.7%
Commercial	185,673,183	203,296,760	17,623,577	9.5%	19.5%	14.5%	-4.9%
Industrial	207,157,830	246,687,401	39,529,571	19.1%	21.7%	17.7%	-4.1%
Utility	27,409,428	20,736,492	-6,672,936	-24.3%	2.9%	1.5%	-1.4%
Exempt	1,579,860	3,015,100	1,435,240	90.8%	0.2%	0.2%	0.1%
Undefined	642,020	0	-642,020	-100.0%	0.1%	0.0%	-0.1%
Total	953,535,624	1,397,603,369	444,067,745	46.6%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	195,464,836	378,278,147	182,813,311	93.5%	20.5%	27.1%	6.6%
Residential	301,352,237	508,525,419	207,173,182	68.7%	31.6%	36.4%	4.8%
Commercial	86,730,281	134,078,468	47,348,187	54.6%	9.1%	9.6%	0.5%
Industrial	84,891,229	87,406,994	2,515,765	3.0%	8.9%	6.3%	-2.6%
Utility	77,138	193,572	116,434	150.9%	0.0%	0.0%	0.0%
Exempt	1,579,860	3,015,100	1,435,240	90.8%	0.2%	0.2%	0.1%
Undefined	642,020	0	-642,020	-100.0%	0.1%	0.0%	-0.1%
Total	670,737,601	1,111,497,700	440,760,099	65.7%	70.3%	79.5%	9.2%
Agricultural Homesteads	99,706,458	175,085,655	75,379,197	75.6%	10.5%	12.5%	2.1%
Residential Homesteads	236,825,191	374,525,372	137,700,181	58.1%	24.8%	26.8%	2.0%
Total Homesteads	336,531,649	549,611,027	213,079,378	63.3%	35.3%	39.3%	4.0%
Non-Homestead Residential	64,527,045	134,000,047	69,473,002	107.7%	6.8%	9.6%	2.8%
Apartments (Over 4 Units)	18,201,426	25,520,298	7,318,872	40.2%	1.9%	1.8%	-0.1%
<u>Personal Property Only</u>							
Agricultural	30,947,370	33,770,590	2,823,220	9.1%	3.2%	2.4%	-0.8%
Residential	3,308,860	3,293,460	-15,400	-0.5%	0.3%	0.2%	-0.1%
Commercial	98,942,902	69,218,293	-29,724,609	-30.0%	10.4%	5.0%	-5.4%
Industrial	122,266,601	159,280,407	37,013,806	30.3%	12.8%	11.4%	-1.4%
Utility	27,332,290	20,542,920	-6,789,370	-24.8%	2.9%	1.5%	-1.4%
Total	282,798,023	286,105,670	3,307,647	1.2%	29.7%	20.5%	-9.2%
Total Depreciables	159,010,419	145,208,508	-13,801,911	-8.7%	16.7%	10.4%	-6.3%
Total Inventory	120,478,745	137,603,702	17,124,957	14.2%	12.6%	9.8%	-2.8%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	95,758,379	203,192,492	107,434,113	112.2%	10.0%	14.5%	4.5%
Ag Personal	30,947,370	33,770,590	2,823,220	9.1%	3.2%	2.4%	-0.8%
Total Ag Business	126,705,749	236,963,082	110,257,333	87.0%	13.3%	17.0%	3.7%
Ag Homesteads	99,706,458	175,085,655	75,379,197	75.6%	10.5%	12.5%	2.1%

* "Net Assessed Value" for real property refers to the gross AV less deductions per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Net Assessed Value" for personal property refers to the gross personal property assessed value reported on the county auditor's abstract less the deductions reported on the abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net AV changes from 2002 to 2003 include effects of changes in assessment methods, real property physical characteristics, property use, personal property held or acquired, and deductions.

**Adams County
Residential Property Summary
2003 Reassessment**

Property Type	Change in Gross AV 2001 to 2003	Change in Net AV 2001 to 2003	Change in Net Tax 2002 to 2003	Change in Net Tax With NO Levy Change 2002 to 2003
All Real Residential Properties	103%	70%	13.0%	2.6%
Comparable Residential Real Prop.	111%	70%	12.5%	2.3%
Comparable Homesteads	111%	65%	8.2%	-1.7%

Distribution of Net Tax Changes on Comparable Residential Property

% Change		2002 to 2003 Actual Bills All Comparable Residential Property		2002 to 2003 Actual Bills All Comparable Homesteads Only		2002 to 2003 Recomputed Bills With NO Levy Change All Comparable Residential Property		2002 to 2003 Recomputed Bills With NO Levy Change All Comparable Homesteads Only	
Over	300%	125	2.2%	47	0.9%	102	1.8%	41	0.8%
200% to	300%	82	1.4%	27	0.5%	73	1.3%	23	0.4%
100% to	200%	317	5.5%	189	3.6%	240	4.2%	124	2.4%
50% to	100%	616	10.7%	508	9.7%	443	7.7%	329	6.3%
25% to	50%	833	14.4%	795	15.1%	572	9.9%	521	9.9%
10% to	25%	954	16.5%	933	17.7%	737	12.8%	717	13.6%
5% to	10%	417	7.2%	402	7.6%	342	5.9%	335	6.4%
0 to	5%	360	6.2%	349	6.6%	445	7.7%	429	8.2%
0 to	-5%	364	6.3%	357	6.8%	450	7.8%	434	8.3%
-5% to	-10%	337	5.8%	332	6.3%	398	6.9%	392	7.5%
-10% to	-25%	826	14.3%	812	15.4%	1,116	19.4%	1,097	20.9%
-25% to	-50%	494	8.6%	479	9.1%	777	13.5%	760	14.5%
Below	-50%	42	0.7%	29	0.6%	72	1.2%	57	1.1%
		5,767	100.0%	5,259	100.0%	5,767	100.0%	5,259	100.0%
Parcels With Increases		3,704	64.2%	3,250	61.8%	2,954	51.2%	2,519	47.9%
Parcels With Reductions		2,063	35.8%	2,009	38.2%	2,813	48.8%	2,740	52.1%
Average \$ Change			\$97		\$66		\$18		-\$14
Average % Change			12.5%		8.2%		2.3%		-1.7%

"Comparable Properties" = Properties with a record in both years that have improvements in both years OR no improvements in both years.

Data Source: 2001 and 2003 County Parcel Tax Data - County Auditor and County Assessor

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